

Message Text

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ACTION L-03

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

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FM AMEMBASSY LONDON

TO AMEMBASSY NEW DELHI PRIORITY

INFO SECSTATE WASHDC PRIORITY 6148

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DEPARTMENT ALSO PASS FRB AND TREASURY

E.O. 11652: N/A

TAGS: EFIN, IN, UK

SUBJECT: RUPEES: EXCHANGE RATE FOR CONVERSIONS

REF: STATE 236127

1. FOLLOWING IS INFORMATION REQUESTED IN PARA 3 REFTEL.

2. WITHIN ANY GIVEN DAY, THE SPOT STERLING DOLLAR RATE IN LONDON CAN VARY HUNDREDS, PERHAPS THOUSANDS OF TIMES, ALTHOUGH USUALLY WITHIN BASIS POINTS RATHER THAN IN CENTS, I.E., SAY A RANGE FROM 2.3850 TO 2.3895, OR 45 BASIS POINTS. ON MANY DAYS THE RATE VARIES MUCH MORE MARKEDLY THAN THIS. TRADING IN LONDON CAN TAKE PLACE AROUND THE CLOCK, I.E., ON A 24-HOUR BASIS PROVIDED THAT THE BUYING OR SELLING INSTITUTION CAN FIND A PARTNER IN THE TRANSACTION. THERE IS NO OFFICIAL OPENING OR CLOSING RATE EACH DAY. THERE IS NO OFFICIAL EXCHANGE WITH OPENING AND CLOSING HOURS. TRADING BETWEEN TWO INSTITUTIONS IN LONDON USUALLY TAKES PLACE THROUGH LIMITED OFFICIAL USE

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THE INTERMEDIARY OF A FOREIGN EXCHANGE BROKER. TRADING

BETWEEN A BANK IN LONDON AND A BANK OVERSEAS USUALLY IS DONE DIRECTLY BY TELEX.

3. EACH WORKING DAY, THE BANK OF ENGLAND INFORMS THE IMF IN WASHINGTON OF A REPRESENTATIVE DOLLAR STERLING RATE AT NOON, LONDON TIME. THIS RATE IS DETERMINED BY THE BANK OF ENGLAND AFTER SPEAKING TO EXCHANGE BROKERS OR BANKS, AND THEN TAKING AN AVERAGE OF THE RATES QUOTED. THE PURPOSE OF THE IMF NOTIFICATION IS FOR SDR VALUATION PURPOSES. THIS RATE MIGHT BE MADE AVAILABLE BY THE IMF TO OTHER CENTRAL BANKS OR MONETARY AUTHORITIES.

4. WHEN COMMERCIAL CONTRACTS PROVIDE FOR OBTAINING A DOLLAR/STERLING RATE, A NORMAL PRACTICE IS TO HAVE THE CONTRACT PROVIDE THAT THREE BANKS BE ASKED TO PROVIDE WHATEVER THEIR QUOTATIONS ARE AT A GIVEN TIME OF DAY, THEN A SINGLE AVERAGE OR CONSENSUS RATE IS TAKEN.

5. TREASURY REPRESENTATIVE IN LONDON HAS INFORMALLY CONFIRMED OUR VIEWS IN PARAS 2 THROUGH 4 ABOVE WITH BANK OF ENGLAND.

6. THE FINANCIAL TIMES USUALLY PUBLISHES A "CLOSING RATE" FOR THE PRECEDING WORKING DAY. THIS IS OBTAINED BY CALLING A SINGLE MAJOR CLEARING BANK AND ASKING FOR ITS 5:00 P.M. RATE.

7. RE PARA 2 OF NEW DELHI 13992, WE SUGGEST RESERVE BANK OF INDIA BE ASKED TO IDENTIFY SPECIFICALLY WHICH LONDON MARKET CLOSING RATE FOR SALE OF SPOT DOLLARS THEY INTEND TO PROPOSE, I.E., FROM WHAT SOURCE DO THEY INTEND TO OBTAIN THE RATE?

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